

Edgar Filing: GROUP 1 AUTOMOTIVE INC - Form 8-K

GROUP 1 AUTOMOTIVE INC  
Form 8-K  
September 02, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): September 2, 2003

Group 1 Automotive, Inc.  
(Exact name of Registrant as specified in its charter)

|   |                             |   |
|---|-----------------------------|---|
| Delaware  | 1-13461                     | 76-0506313                              |
| (State or other jurisdiction of<br>incorporation or organization) | (Commission File<br>Number) | (I.R.S. Employer<br>Identification No.) |

950 Echo Lane, Suite 100  
Houston, Texas 77024  
(Address of principal executive offices) (Zip code)

(713) 647-5700  
(Registrant's telephone number including area code)

Item 12. Results of Operations and Financial Condition

The following sets forth certain information regarding certain historical non-GAAP financial measures (within the meaning of Regulation G and Item 10 of Regulation S-K) of the Company as well as reconciliations of such non-GAAP financial measures to the financial measures of the Company calculated and presented in accordance with GAAP that are most directly comparable to such non-GAAP financial measures.

Non-GAAP Financial Measures

Return on Invested Capital

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Return on Invested Capital (ROIC) is a measurement of the return received on all capital invested in the company, including stockholders' equity, long-term debt and the present value of future rents. It is computed by dividing the net operating profit after tax (NOPAT) by the average invested capital.

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NOPAT equals operating income minus floorplan interest expense and interest income on excess cash, plus rent expense and amortization expense, net of tax. The average invested capital equals the average of the beginning of the year and end of the year total invested capital, which is the sum of stockholders' equity plus accumulated goodwill amortization, long-term debt and the present value of future rents, minus excess cash. NOPAT is not a measure of operating income under GAAP and invested capital is not a measure of capitalization under GAAP. Additionally, our ROIC, NOPAT and invested capital computations may not be comparable to other similarly titled measures of other companies.

We believe that ROIC provides additional information regarding our ability to assess the performance of our operations and the effectiveness of our deployment of capital. These measures are widely used by investors in the valuation, comparison, rating and investment recommendations of companies.

Return on Invested Capital is calculated as follows:

The following table reconciles Net Operating Profit after Tax (NOPAT) to Operating Income for the periods presented:

|  | Year Ended Decem |           |          |
|--|------------------|-----------|----------|
|  | 1998             | 1999      | 20       |
|  | ----             | ----      | ----     |
|  | (dollars in 0    |           |          |
| Operating Income                       | \$ 52,046        | \$ 85,950 | \$ 117,7 |
| Deduct: Floorplan interest expense     | (12,837)         | (20,395)  | (37,5    |
| Interest income on excess cash (A)     | (1,129)          | (1,318)   | (1,1     |
| Add: Rent expense                      | 11,121           | 19,943    | 28,3     |
| Amortization expense                   | 2,643            | 5,763     | 8,4      |
| Adjusted operating income              | 51,844           | 89,943    | 115,8    |
| Taxes on adjusted operating income (B) | (21,360)         | (35,797)  | (44,0    |
| NOPAT                                  | \$ 30,484        | \$ 54,146 | \$ 71,8  |

The following table reconciles Invested Capital to Stockholders' Equity for the periods presented:

|  | As of December 31, |            |            |          |
|--|--------------------|------------|------------|----------|
|  | 1997               | 1998       | 1999       | 20       |
|  | ----               | ----       | ----       | ----     |
|  | (dollars in 000's) |            |            |          |
| Stockholders' equity                   | \$ 89,372          | \$ 136,184 | \$ 232,029 | \$ 247,4 |
| Add: Accumulated goodwill amortization | 299                | 2,504      | 7,045      | 13,9     |
| Long-term debt                         | 9,369              | 45,787     | 114,250    | 141,8    |
| Present value of future rents (C)      | 66,400             | 88,968     | 159,544    | 226,7    |
| Less: Excess cash (D)                  | (20,000)           | (10,000)   | (30,000)   |          |

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|   |         |            |            |            |
|---|---------|------------|------------|------------|
| Total invested capital                                      | 145,440 | 263,443    | 482,868    | 630,000    |
| Average invested capital                                    |         | \$ 204,442 | \$ 373,156 | \$ 556,442 |
| Return on invested capital (NOPAT/Average invested capital) |         | 14.9%      | 14.5%      | 12.1%      |

Notes:

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- (A) Computed using the floorplan interest rate for the period times the average excess cash balance for the year.
  - (B) Computed using the effective tax rate for the period times adjusted operating income.
  - (C) Present value of future rents equals rent expense times 8.
  - (D) Represents cash in excess of the working capital needed to operate our existing business. Excess cash is expected to be invested in acquisitions, capital projects, share repurchases and debt retirements.

In accordance with General Instruction B.2. of Form 8-K, the information contained in this report shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such a filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Group 1 Automotive, Inc.

September 2, 2003

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Date

By: /s/ Scott L. Thompson

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Scott L. Thompson, Executive Vice President,  
Chief Financial Officer and Treasurer